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Market Development Reports

Food Business Line

Periodic Press Translations from ATO Tokyo

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Report Highlights:

From America's largest overseas food and agricultural export market as translated from Japan's mass media and food industry news. This issue includes: *Seiyu* will begin using *Walmart's* "Retail Link" data inventory and tracking system, in mid-December; Major supermarket operators are increasing the number of part-time workers they employ in order to cut personnel costs; *WDI Corporation* of Japan plans to open the first overseas branch of New York's famous "Grand Central Oyster Bar and Restaurant in Tokyo; The Hilton hotel chain plans to open a super-luxury Conrad hotel in Tokyo; Turkey and turkey meat sales gradually expanding in Japan and; *Lawson* plans to ban the use of all artificial seasonings that are required to be labeled under the Food Sanitation Law.

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Food Business Line

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Retail/Wholesale

- *Seiyu* will begin using “Retail Link”, the data inventory and tracking system, in mid-December, in an effort to lower its procurement costs. “Retail Link”, is the largest private-sector sales/inventory data system in the world developed by *Wal-Mart*. The system is designed to provide sales/inventory information via the internet to *Seiyu*’s supermarket outlets, its distribution centers and to its suppliers to prevent a shortage of goods at *Seiyu*’s outlets and assist in the company’s sales promotion planning. It is expected to take two to three years for the system to cover all of *Seiyu*’s 400 supermarkets nationwide. (a 11/16)
- Major supermarket operators are increasing the number of part-time workers they employ in order to cut personnel costs. Since many of them are female housewives, the companies also plan to utilize their knowledge and get suggestions on what would better meet the needs of local customers and ways to improve customer service. *Aeon* even plans to promote part-timers to managerial positions. (a 11/16)
- Total sales of department stores and supermarkets in October 2003 increased due in part to a sales campaign related to the two successful professional baseball teams. According to the *Japan Chain Store Association*, total sales of supermarkets in October increased by 0.6% for the first time in 16 months on a same-store basis compared to the same month last year. Food sales also increased by 0.1%. According to the *Japan Department Store Association*, total sales of department stores in October increased by 0.2% for the first time in 19 months on a same-store basis compared to the same month last year. Food sales declined for 0.2%. (a 11/26)
- *Aeon*’s profit for the fiscal year 2004 is likely to expand rapidly thanks to its recent acquisition of failed supermarket chain operator, *Mycal*. It is also expected to narrow the profit gap between itself and *Ito-Yokado*, the leading Japanese retailer. (a 11/29)

Food Service

- *Starbucks Coffee Japan* plans to cut the number of new store openings this fiscal year to 70 from the original plan for 80 new stores. *Starbucks Coffee Japan* also plans to put more strength in renovating present stores. (b 11/25)
- *WDI Corporation* of Japan plans to open the first overseas branch of “Grand Central Oyster Bar and Restaurant,” a famous oyster restaurant founded in New York City. The locations of the original and new restaurant will have something in common. The original is located in New York’s Grand Central Station and the new restaurant will be located inside the new station complex in Shinagawa, Tokyo. (b 11/25)
- According to the *Japan Food Service Association*, total sales of its member outlets in October 2003 increased by 0.8% for the first time in four months on an all-store basis compared to the same month last year. While there was a decline in sales on a same-store basis, the total number of outlets increased by 3.4% and the number of customers and unit customer expenditure both saw an increase. (a 11/26)

- The Hilton hotel chain plans to open a super-luxury Conrad hotel in the Tokyo's business building complex located in Shiodome in spring 2005, making its first inroad into the Japanese market. (b 11/29)

Food Processing/New Products/Market Trends

- With Japan's frozen vegetable imports still affected by the series of agricultural pesticide residue scandals that plagued Chinese frozen vegetables in recent years, the total quantity of imported frozen vegetables declined by 9.1% from January to September 2003 compared to the same period last year. In part, it was due to a decline in fried potato imports that accounted for one-third of the total, reflecting the increased health-consciousness of consumers and the waning Japanese interest in fast foods. Overall, frozen vegetable imports from the U.S. declined by 10.9%, with its frozen potato imports declining by 13%. Imports from China also declined by 18.3%, losing market share to Taiwan, New Zealand, and Thailand. (f 11/20)
- Turkey is gradually expanding its sales in Japan. *Tozai Sangyo Boeki*, a major turkey importer that holds 40% of the market, plans to introduce small-sized turkeys that could be prepared in smaller microwave ovens in Japanese households. *Dotour Coffee* also plans to introduce a new menu in its coffee shops using turkey meat beginning in December. Total imports of turkey increased by 34.9% between January and September 2003 compared to the historic low during the same period in 2002. (b 11/20)
- According to the Ministry of Public Management, Home Affairs, Posts and Telecommunications, the consumer price index in October 2003 went up for 0.1% for the first time in five and a half years compared to the same month in 2002. Also, the unemployment rate went up by 0.1% in October compared to the previous month, leveling off at 5.2%. (a 11/28)

Food Safety/Consumer Awareness

- *Lawson* plans to ban the use of all artificial seasonings that are required to be labeled under the Food Sanitation Law, in about 160 processed food items, such as *bento* lunch boxes, buns and noodles, by next March sold at its nationwide "Lawson" convenience stores. *Lawson* will ask about 110 major food processors and their subsidiaries to use natural seasonings that are classified as foods instead. Many other retailers have stopped using preservatives and artificial colorings, but *Lawson* will be the first to ban the use of artificial seasonings. (a 11/24)
- Convenience stores are strengthening food safety controls for their deli food products in an effort to prevent any more food safety scandals. For example, *Lawson* introduced a new food quality control division and quadrupling the size of its quality management staff. *Mini Stop* also plans to observe the factories in China more carefully, and *Daily Yamazaki* is also planning to do the same. (b 11/25)

ATO/Cooperator/Competitor Activities/Trade Shows

- *Village Cellars*, a catalog-sales oriented import wine company, held a tasting seminar on November 5 at ATO Tokyo's seminar room. North American wines such as Oregon wines

were presented at the seminar and about 100 people attended the tasting. (Shokuryo Jyokai 11/17)

Sources

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|----------------------------------|---|
| (a) The Japan Economic Newspaper | (b) The Nikkei Marketing Journal |
| (c) The Japan Food Journal | (d) The Beverage & Food News Commentary |
| (e) The Japan Food News | (f) The Food Industry News |

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